

ECONOMIC GROWTH AND TAX RELIEF RECONCILIATION ACT OF 2001 (EGTRRA)

Pub. L. 107-16.

(NOTE: Only amendments or additions to Internal Revenue Code Sections contained in subtitle A, chapter 1, and certain 6000 series sections of the Internal Revenue Code of 1986, as amended, are applicable for this Digest.)

<u>CODE SECTION</u>	<u>DESCRIPTION OF PROVISION</u>
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The following provisions are not operative for Hawaii income tax purposes.

Non Code Provision	Rates for kiddie tax, accumulated earnings tax, personal holding company tax and miscellaneous withholding requirements reduced to match reductions in individual income tax rates starting in 2001. Tax years beginning after December 31, 2000; amounts paid more than 60 days after date of enactment for withholding changes. Act Section 101(c)(11).
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Non Code Provision	If recapture tax was paid as a result of lineal decedent's lease of special use valuation property on a net cash basis, an otherwise time barred refund claim may be filed within one year of date of enactment of EGTRRA. Act Section 581.
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The following provision is operative for Hawaii income tax purposes.

Non Code Provision	"Deemed IRAs" -- separate accounts or annuities in qualified employer plans that receive certain voluntary employee contributions, won't be subject to Title I of ERISA except for the exclusive benefit and fiduciary rules after 2002. Effective for plan years beginning after December 31, 2002. Act Section 602(b).
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The following provisions are not operative for Hawaii income tax purposes.

Non Code Provision	Five-year waiver of user fees provided for determination letter requests made by small employers after 2001. For requests made after December 31, 2001. Act Section 620.
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Non Code Provision	IRS must revise life expectancy tables used for calculating distribution under required minimum distribution rules in order to reflect current life expectancies. Effective as of the date of enactment of EGTRRA. Act Section 634.
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Non Code Provision Regulation must be modified to permit 401(k) plan elective contributions 6 months after receipt of hardship distribution after 2001. Effective for years beginning after 2001. Act Section 636(a).

Non Code Provision Recipients of eligible rollover distributions must be given explanation of different tax consequences of distribution from plans that received rollovers from other plans after 2001. For distributions made after December 31, 2001. Act Section 641(f)(2).

The following provisions are operative for Hawaii income tax purposes.

Non Code Provision Capital gains and averaging treatment unavailable for rollovers to qualified plans from a 403(b) annuity or governmental section 457 plan, and rollovers by a surviving spouse for distributions made after December 31, 2001. Act Section 641(f)(3).

Non Code Provision Anti-cutback rules relaxed after 2001 for direct transfers between defined contribution plans. For years beginning after December 31, 2001. Act Section 645(a)(2).

Non Code Provision Anti-cutback rules relaxed after 2001 for direct transfers between defined contribution plans. For years beginning after December 31, 2001. Act Section 645(b)(2).

Non Code Provision Anti-cutback rules relaxed after 2001 for direct transfers between defined contribution plans. For years beginning after December 31, 2001. Act Section 645(b)(3).

Non Code Provision Employers may disregard rollovers from other plans when applying the cash-out rules after 2001. For distributions after December 31, 2001. Act Section 648(a)(2).

Non Code Provision 401(k) plan elective deferrals invested in employer securities and employer real property before 1999 not subject to ERISA's 10% investment limit. For elective deferrals invested in qualifying employer securities, qualifying employer real property, or both, acquired before January 1, 1999. Act Section 655.

Non Code Provision Qualified plans must provide that involuntary cash-outs of more than \$1,000 (but less than \$5,000) will be automatically rolled over to IRA unless the distributee elects otherwise. Effective after final regulations implementing fiduciary rules are prescribed. Act Section 657(c).

Non Code Provision Determination of whether post year-end contributions to multiemployer pension plans are on account of the previous year, is not a method of accounting; no deduction is allowed for contributions for which a deduction was allowed for an earlier year. Years ending after date of enactment of EGTRRA. Act Section 658.

Non Code Provision Special interest definition of highly compensated employee in TRA '86 repealed after 2001. Plan years beginning after December 31, 2001. Act Section 663.

Non Code Provision Employees of tax-exempt charities participating in 403(b) plans may be excluded from nondiscrimination testing of 401(k) and 401(m) plans Plan years beginning after December 31, 1996. Act Section 664.

The following provision is not operative for Hawaii income tax purposes.

Non Code Provision 100% of third installment of 2001 estimated tax of calendar year corporations is not due until October 1, 2001; 20% of amount of third installment of 2004 estimated tax of calendar year corporations will not be due until October 1, 2004. Effective as of the date of enactment of EGTRRA. Act Section 801.

The following provisions are operative for Hawaii income tax purposes.

Non Code Provision Money or property received by Holocaust victims or their heirs is excluded from gross income. Any amount received after December 31, 1999. Act Section 803.

Non Code Provision 2001 Act provisions sunset and won't apply to tax, plan, or limitation years beginning after December 31, 2010; Estate, gift and transfer tax provisions sunset and won't apply to estates of decedents dying, gifts made, or generation-skipping transfers, after December 31, 2010. Effective for tax, plan, or limitation years beginning after December 31, 2010, or, in the case of Title V of the 2001 Act relating to estate, gift, and generation-skipping transfer taxes, estates of decedents dying, gifts made, or generation-skipping transfers, after December 31, 2010. Act Section 901.

The following sections are not operative for Hawaii income tax purposes.

IRC §1(f)(6)(B) Basic standard deduction for married taxpayers filing jointly will be increased to twice the amount for single taxpayers over a five year period beginning in 2005. Effective for tax years beginning after December 31, 2004.

IRC §1(f)(8) 15% rate bracket for marrieds filing jointly will increase (phase in) to twice the singles bracket from 2005 to 2008 to eliminate the "marriage penalty" in that bracket. Tax years beginning after December 31, 2004.

IRC §1(g)(7)(b)(ii)(II) Rates for kiddie tax, accumulated earnings tax, personal holding company tax and miscellaneous withholding requirements reduced to match reductions in individual income tax rates starting in 2001. Effective for tax years beginning after December 31, 2000; amounts paid more than 60 days after date of enactment for withholding changes.

IRC §1(h)(1) 28%, 31%, 36% and 39.6% rate brackets reduced to 25%, 28%, 33%, and 35% over the period 2001-2006. Effective for tax years beginning after December 31, 2000.

IRC §1(i)(1) 10% individual rate bracket added retroactive to January 1, 2001. Effective for tax years beginning after December 31, 2000.

IRC §1(i)(2)	28%, 31%, 36% and 39.6% rate brackets reduced to 25%, 28%, 33%, and 35% over the period 2001-2006. Effective for tax years beginning after December 31, 2000.
IRC §15(f)	28%, 31%, 36% and 39.6% rate brackets reduced to 25%, 28%, 33%, and 35% over the period 2001-2006. Effective for tax years beginning after December 31, 2000.
IRC §21(a)(2)	Maximum child and dependent care credit will be increased to 35% (from 30%) of up to \$3,000/\$6,000 (from \$2,400/\$4,800) of expenses after 2002; phase-out will start at AGI of \$15,000 (up from \$10,000). Effective for tax years beginning after December 31, 2002.
IRC §21(c)(1)	Maximum child and dependent care credit will be increased to 35% (from 30%) of up to \$3,000/\$6,000 (from \$2,400/\$4,800) of expenses after 2002; phase-out will start at AGI of \$15,000 (up from \$10,000). Effective for tax years beginning after December 31, 2002.
IRC §21(c)(2)	Maximum child and dependent care credit will be increased to 35% (from 30%) of up to \$3,000/\$6,000 (from \$2,400/\$4,800) of expenses after 2002; phase-out will start at AGI of \$15,000 (up from \$10,000). Effective for tax years beginning after December 31, 2002.
IRC §23(a)(1)	Dollar limit and phase-out range for adoption credit will be increased after 2001; credit for non-special needs adoptions made permanent. Effective for tax years beginning after December 31, 2002.
IRC §23(a)(2)	Dollar limit and phase-out range for adoption credit will be increased after 2001; credit for non-special needs adoptions made permanent. Effective for tax years beginning after December 31, 2001.
IRC §23(b)(1)	Dollar limit and phase-out range for adoption credit will be increased after 2001; credit for non-special needs adoptions made permanent. Effective for tax years beginning after December 31, 2001.
IRC §23(b)(2)(A)(i)	Dollar limit and phase-out range for adoption credit will be increased after 2001; credit for non-special needs adoptions made permanent. Effective for tax years beginning after December 31, 2001.
IRC §23(b)(4)	Dollar limit and phase-out range for adoption credit will be increased after 2001; credit for non-special needs adoptions made permanent. Effective for tax years beginning after December 31, 2001.
IRC §23(c)	No reduction in child tax credit after 2001 because of Alternative Minimum Tax (AMT). Effective for tax years beginning after December 31, 2001. Act Section 201(b)(2)(E).
IRC §23(c)	Dollar limit and phase-out range for adoption credit will be increased after 2001; credit for non-special needs adoptions made permanent. Effective for tax years beginning after December 31, 2001. Act Section 202(f)(2)(A).
IRC §23(d)(2)	Dollar limit and phase-out range for adoption credit will be increased after 2001; credit for non-special needs adoptions made permanent. Effective for tax years beginning after December 31, 2001.
IRC §23(h)	Dollar limit and phase-out range for adoption credit will be increased after 2001; credit for non-special needs adoptions made permanent. Tax years beginning after December 31, 2001.

IRC §24(a)	Child tax credit increased to \$1,000 per child (from \$500) over 10-year period. Effective for tax years beginning after December 31, 2000.
IRC §24(b)(3)	No reduction in child tax credit after 2001 because of AMT. Effective for tax years beginning after December 31, 2001. Act Section 201(b)(1).
IRC §24(b)(3)(B)	No reduction in child tax credit after 2001 because of AMT. Effective for tax years beginning after December 31, 2001. Act Section 202(f)(2)(B).
IRC §24(b)(3)(B)	No reduction in child tax credit after 2001 because of AMT. Effective for tax years beginning after December 31, 2001. Act Section 618(b)(2)(A).
IRC §24(d)	Child tax credit made refundable for all taxpayers with qualifying children to the extent of 10% of the taxpayer's earned income in excess of \$10,000 (15% for tax years after 2004). Effective for tax years beginning after December 31, 2000.
IRC §24(d)(1)	Child tax credit made refundable for all taxpayers with qualifying children to the extent of 10% of the taxpayer's earned income in excess of \$10,000 (15% for tax years after 2004). Effective for tax years beginning after December 31, 2000.
IRC §24(d)(2)	No reduction in child tax credit after 2001 because of AMT. Tax years beginning after December 31, 2001.
IRC §24(d)(4)	Child tax credit made refundable for all taxpayers with qualifying children to the extent of 10% of the taxpayer's earned income in excess of \$10,000 (15% for tax years after 2004). Effective for tax years beginning after December 31, 2000.
IRC §25(e)(1)(C)	No reduction in child tax credit after 2001 because of AMT. Effective for tax years beginning after December 31, 2001. Act Section 201(b)(2)(F).
IRC §25(e)(1)(C)	Credit of up to \$1,000 added for elective deferrals and IRA contributions by individuals with modified AGI below certain limits after 2001 and before 2007. Effective for tax years beginning after December 31, 2001. Act Section 618(b)(2)(B).
IRC §25A(e)	After 2001, taxpayers may claim exclusions for education IRAs and qualified state tuition program distributions and claim the Hope and Lifetime learning credits all in the same year, but may not use the same expenses for more than one provision. Effective for tax years beginning after December 31, 2001.
IRC §25B	Credit of up to \$1,000 added for elective deferrals and IRA contributions by individuals with modified AGI below certain limits after 2001 and before 2007. Effective for tax years beginning after December 31, 2001.
IRC §25B(g)	Credit for up to \$1,000 added for elective deferrals and IRA contributions by individuals with modified AGI below certain limits after 2001 and before 2007. Effective for tax years beginning after December 31, 2001.
IRC §26(a)(1)	Credit of up to \$1,000 added for elective deferrals and IRA contributions by individuals with modified AGI below certain limits after 2001 and before 2007. Effective for tax years beginning after December 31, 2001. Act Section 201(b)(2)(D).

IRC §26(a)(1)	No reduction in child tax credit after 2001 because of AMT. Effective for tax years beginning after December 31, 2001. Act Section 202(f)(2)(C).
IRC §26(a)(1)	Dollar limit and phase-out range for adoption credit will be increased after 2001; credit for non-special needs adoptions made permanent. Effective for tax years beginning after December 31, 2001. Act Section 618(b)(2)(C).
IRC §32(a)(2)(B)	Phase-out of the earned income credit will apply where a taxpayer's adjusted gross income (rather than modified adjusted gross income) exceeds the phase-out amount after 2001. Effective for tax years beginning after December 31, 2001.
IRC §32(b)(2)(B)	"Marriage penalty" relief for earned income credit will be provided by increasing the credit phase-out amounts for joint return filers by \$1,000 in 2002, \$2,000 in 2005 and \$3,000 in 2008. Effective for tax years beginning after December 31, 2001.
IRC §32(c)(1)(C)	Tie-breaker rule will give earned income credit to parent (instead of person with highest modified AGI), in some cases, after 2001. Effective for tax years beginning after December 31, 2001.
IRC §32(c)(2)(A)(i)	Earned income for purposes of the earned income credit will include only taxable amounts after 2001. Effective for tax years beginning after December 31, 2001.
IRC §32(c)(3)(A)(ii)	The general, more-than-6-month residency requirement to be a qualifying child under the earned income credit rules will also apply to an eligible foster child after 2001. Effective for tax years beginning after December 31, 2001.
IRC §32(c)(3)(B)(i)	The general, more-than-6-month residency requirement to be a qualifying child under the earned income credit rules will also apply to an eligible foster child after 2001. Effective for tax years beginning after December 31, 2001.
IRC §32(c)(3)(B)(iii)	The general, more-than-6-month residency requirement to be a qualifying child under the earned income credit rules will also apply to an eligible foster child after 2001. Effective for tax years beginning after December 31, 2001.
IRC §32(c)(5)	Phase-out of the earned income credit will apply where a taxpayer's adjusted gross income (rather than modified adjusted gross income) exceeds the phase-out amount after 2001. Effective for tax years beginning after December 31, 2001.
IRC §32(h)	The reduction of the earned income credit for taxpayers subject to AMT will be eliminated after 2001. Effective for tax years beginning after December 31, 2001.
IRC §32(j)(1)(B)(ii)	"Marriage penalty" relief for earned income credit will be provided by increasing the credit phase-out amounts for joint return filers by \$1,000 in 2002, \$2,000 in 2005 and \$3,000 in 2008. Effective for tax years beginning after December 31, 2001.
IRC §32(j)(2)(A)	"Marriage penalty" relief for earned income credit will be provided by increasing the credit phase-out amounts for joint return filers by \$1,000 in 2002, \$2,000 in 2005 and \$3,000 in 2008. Effective for tax years beginning after December 31, 2001.
IRC §32(n)	Child tax credit increased to \$1,000 per child (from \$500) over 10 year period. Effective for tax years beginning after December 31, 2000.
IRC §38(b)(14)	\$500 maximum credit for pension plan start up costs of small employers during each of the

	first three years of the plan -- costs paid or incurred in tax years beginning after December 31, 2001. For costs paid or incurred in tax years beginning after December 31, 2001
IRC §38(b)(15)	Up to \$150,000 of credit per year will be allowable to employers for providing childcare assistance to employees for tax years beginning after December 31, 2001. Effective for tax years beginning after December 31, 2001.
IRC §39(d)(10)	\$500 maximum credit for pension plan start up costs of small employers during each of the first three years of the plan. For costs paid or incurred in tax years beginning after December 31, 2001.
IRC 45E	\$500 maximum credit for pension plan start up costs of small employers during each of the first three years of the plan -- costs paid or incurred in tax years beginning after December 31, 2001. Costs paid or incurred in tax years beginning after December 31, 2001.
IRC §45F	Up to \$150,000 of credit per year will be allowable to employers for providing childcare assistance to employees for tax years beginning after December 31, 2001. Effective for tax years beginning after December 31, 2001.
IRC §55(d)(1)(A)	The AMT exemption amount is increased for individuals for 2001 through 2004. Effective for tax years beginning after December 31, 2000.
IRC §55(d)(1)(B)	The AMT exemption amount is increased for individuals for 2001 through 2004. Effective for tax years beginning after December 31, 2000.
IRC §55(d)(1)(C)	The AMT exemption amount is increased for individuals for 2001 through 2004. Effective for tax years beginning after December 31, 2000
IRC §55(d)(3)	The AMT exemption amount is increased for individuals for 2001 through 2004. Effective for tax years beginning after December 31, 2000.
IRC §62(a)(18)	With respect to the above-the-line-deduction for qualified higher education expenses paid from 2002 through 2005 allowed by IRC §222. For payments made in tax years beginning after December 31, 2001.
IRC §63(c)(2)	Basic standard deduction for married taxpayers filing jointly will be increased to twice the amount for single taxpayers over a five-year period beginning in 2005. Effective for tax years beginning after December 31, 2004.
IRC §63(c)(4)	Basic standard deduction for married taxpayers filing jointly will be increased to twice the amount for single taxpayers over a five year period beginning in 2005. Effective for tax years beginning after December 31, 2004.
IRC §63(c)(7)	Basic standard deduction for married taxpayers filing jointly will be increased to twice the amount for single taxpayers over a five-year period beginning in 2005. Effective for tax years beginning after December 31, 2004.
IRC §72(t)(9)	Rollovers may be made to governmental section 457 plans after 2001. Distributions after December 31, 2001.
IRC §86(b)(2)	With respect to the above-the-line-deduction allowed for qualified higher education expenses paid from 2002 through 2005 allowed by IRC 222. For payments made in tax years beginning after December 31, 2001.

The following sections are operative for Hawaii income tax purposes.

IRC §117(c)(2)	Scholarships under the National Health Service Corps and Armed Forces Health Professional Scholarship programs are tax-free after 2001. Effective for amounts received in tax years beginning after December 31, 2001.
IRC §121(d)(9)	Extension of the \$250,000 exclusion of gain from the sale of a decedent's principal residence to sales by estates, heirs of decedents, and qualified revocable trusts. Effective for estates of decedents dying after December 31, 2009.
IRC §127	Exclusion for employer-provided educational assistance made permanent and exclusion restored for graduate level courses for expenses relating to courses beginning after 2001. Effective for expenses incurred for courses beginning after 2001.
IRC §132(a)(7)	Employer-provided retirement advice is excludable fringe benefit after 2001. Effective for years beginning after 2001.
IRC §132(m)	Employer-provided retirement advice is excludable fringe benefit after 2001. Effective for years beginning after 2001.

The following sections are not operative for Hawaii income tax purposes.

IRC §135(c)(4)	With respect to the above-the-line-deduction for qualified higher education expenses paid from 2002 through 2005 allowed by IRC §222. Payments made in tax years beginning after December 31, 2001.
IRC §135(d)(2)(B)	Distributions from qualified tuition programs after 2001 will be tax-free to the extent used to pay qualified higher education expenses. Effective for tax years beginning after December 31, 2001.

The following sections are operative for Hawaii income tax purposes.

IRC §137(a)	Dollar limit and phase-out range for tax-free employer-provided adoption assistance will be increased after 2001; exclusion made permanent. Effective for tax years beginning after December 31, 2002. Act Sections 202(a)(2) and 202(g).
IRC §137(b)(1)	Dollar limit and phase-out range for tax-free employer-provided adoption assistance will be increased after 2001; exclusion made permanent. Effective for tax years beginning after December 31, 2001. Act Sections 202(b)(1)(a).
IRC §137(b)(2)(A)	Dollar limit and phase-out range for tax-free employer-provided adoption assistance will be increased after 2001; exclusion made permanent. Effective for tax years beginning after December 31, 2001. Act Sections 202(b)(1)(a).
IRC §137(b)(3)	With respect to the above-the-line-deduction for qualified higher education expenses paid from 2002 through 2005 allowed by IRC §222. For payments made in tax years beginning after December 31, 2001.

IRC §137(f)	Dollar limit and phase-out range for tax-free employer-provided adoption assistance will be increased after 2001; exclusion made permanent. Effective for tax years beginning after December 31, 2001. Act Section 202(d)(2).
IRC §137(f)	Dollar limit and phase-out range for tax-free employer-provided adoption assistance will be increased after 2001; exclusion made permanent. Effective for tax years beginning after December 31, 2001. Act Section 202(e)(2).

The following sections are not operative for Hawaii income tax purposes.

IRC §142(a)(13)	Tax-exempt bond financing for qualified public-private schools after 2001; qualified public educational facility bonds. Effective for bonds issued after December 31, 2001.
IRC §142(k)	Tax-exempt bond financing for qualified public-private schools after 2001; qualified public educational facility bonds. Effective for bonds issued after December 31, 2001.
IRC 146(g)(3)	Tax-exempt bond financing for qualified public-private schools after 2001; qualified public educational facility bonds. Effective for bonds issued after December 31, 2001.
IRC §147(h)(3)	Tax exempt bond financing for qualified public-private schools after 2001; qualified public educational facility bonds. Effective for bonds issued after December 31, 2001.
IRC §148(f)(4)(D)(vii)	Up to \$10 million (instead of \$5 million) in bonds used to finance public school capital expenditures exempted from arbitrage rebate requirements after 2001.
IRC §151(d)(3)(E)	Full personal exemption will be restored -- phase-out will be gradually reduced after 2005 and completely eliminated after 2009. Effective for tax years beginning after December 31, 2005.
IRC §151(d)(3)(F)	Full personal exemption will be restored -- phase-out will be gradually reduced after 2005 and completely eliminated after 2009. Effective for tax years beginning after December 31, 2005.

The following section is operative for Hawaii income tax purposes.

IRC §170(e)(1)	Capital asset treatment for charitable contributions of creative property is determined after 2009 without regard to the modified-carryover basis at death rules. Effective for estates of decedents dying after December 31, 2009.
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The following section is not operative for Hawaii income tax purposes.

IRC §196(c)(10)	\$500 maximum credit for pension plan start up costs of small employers during each of the first three years of the plan. For costs paid or incurred in tax years beginning after December 31, 2001.
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The following sections are operative for Hawaii income tax purposes.

IRC §219(b)	IRA contribution limit will be increased to \$3,000 for 2002 through 2004, \$4,000 for 2005 through 2007, and \$5,000 for 2008; additional catch-up contributions allowed for certain older individuals; COLA adjustments for later years. Effective for tax years beginning after December 31, 2001. Act Section 601(a).
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- IRC §219(b) Roth IRA contribution limit increased to \$3,000 for 2002 through 2004, \$4,000 for 2005 through 2007, and \$5,000 for 2008; additional catch-up contributions allowed for certain older individuals; COLA adjustments for later years. Effective for tax years beginning after December 31, 2001. Act Section 601(a)
- IRC §219(g)(3) With respect to computing the limitation on the deduction for active participants in certain pension plans. For payments made in tax years beginning after December 31, 2001.
- IRC §221(b)(2)(B) Student loan interest deduction income phase-out starting point raised from \$40,000 to \$50,000 for singles and from \$60,000 to \$100,000 for joint filers after 2001. Effective for tax years ending after December 31, 2001.

The following section is not operative for Hawaii income tax purposes.

- IRC §221(b)(2)(C) With respect to the above-the-line-deduction for qualified higher education expenses paid from 2002 through 2005 allowed by IRC §222. For payments made in tax years beginning after December 31, 2001.

The following sections are operative for Hawaii income tax purposes.

- IRC §221(d) 60-month limit on student loan interest deduction repealed for interest paid after 2001. Effective for Loan interest paid after December 31, 2001.
- IRC §221(e)(2)(A) Distributions from qualified tuition programs after 2001 will be tax-free to the extent used to pay qualified higher education expenses. Effective for tax years beginning after December 31, 2001.
- IRC §221(g)(1) Student loan interest deduction income phase-out starting point raised from \$40,000 to \$50,000 for singles and from \$60,000 to \$100,000 for joint filers after 2001. Effective for tax years ending after December 31, 2001.

The following section is not operative for Hawaii income tax purposes.

- IRC §222 Above-the-line-deduction allowed for qualified higher education expenses paid from 2002 through 2005. Effective for payments made in tax years beginning after December 31, 2001.

The following sections are operative for Hawaii income tax purposes.

- IRC §401(a)(17) Plan benefits and contribution limits increased after 2001. Effective for years beginning after 2001.
- IRC §401(a)(31)(B) After-tax contributions to a qualified plan may be rolled over to a defined contribution plan or an IRA after 2001. Effective for distributions made after December 31, 2001. Act Section 643(b).
- IRC §401(a)(31)(B) Qualified plans must provide that involuntary cash-outs of more than \$1,000 (but less than \$5,000) will be automatically rolled over to IRA unless the distributee elects otherwise. Effective after final regulations implementing fiduciary rules are prescribed. Act Section 657(a)(1).

- IRC §401(c)(2)(A) Self employment income for which religious exemption is elected will be taken into account for Keogh and SIMPLE plans after 2001. Effective for plan years beginning after 2001.
- IRC §401(k)(2)(B) Distributions of elective deferrals allowed after 2001 following severance from employment – “same desk rule” eliminated. Effective for distributions made after December 31, 2001.
- IRC §404(k)(5)(A) Employer will be allowed a deduction for dividends on employer ESOP stock where participants and beneficiaries can elect to have dividends reinvested in employer stock after 2001. Effective for tax years beginning after December 31, 2001.
- IRC §401(k)(10) Distributions of elective deferrals allowed after 2001 following severance from employment – “same desk rule” eliminated.
- IRC §401(m)(9) Multiple use test for highly compensated employees eliminated after 2001. Years beginning after 2001.
- IRC §402(c)(2) After-tax contributions to a qualified plan may be rolled over to a defined contribution plan or an IRA after 2001. Effective for distributions made after December 31, 2001.
- IRC §402(c)(3) Hardship exception to 60-day rollover requirement -- after 2001. Effective for distributions made after December 31, 2001.
- IRC §402(c)(4) No hardship distributions will be eligible rollover distributions after 2001. Effective for distributions made after 2001.
- IRC §402(c)(8)(B)(v) Rollovers may be made to governmental section 457 plans after 2001. Effective for distributions made after December 31, 2001.
- IRC §402(c)(8)(B)(vi) 403(b) tax-sheltered annuity plans can receive eligible rollover distributions after 2001. Effective for distributions made after December 31, 2001.
- IRC §402(c)(9) Employee’s surviving spouse may rollover distribution to a qualified plan, 403(a) qualified annuity, section 457 plan or 403(b) tax-sheltered annuity after 2001. Effective for distributions made after December 31, 2001.
- IRC §402(c)(11) Rollovers may be made to governmental section 457 plans after 2001. Distributions after December 31, 2001.

The following section is not operative for Hawaii income tax purposes.

- IRC §402(f)(1)(E) Recipients of eligible rollover distributions must be given explanation of different tax consequences of distributions from plans that received rollovers from other plans after 2001. Effective for distributions made after December 31, 2001.

The following sections are operative for Hawaii income tax purposes.

- IRC §402(f)(1)(A) Qualified plans must provide that involuntary cash-outs of more than \$1,000 (but less than \$5,000) will be automatically rolled over to IRA unless the distributee elects otherwise. Effective after final regulations implementing fiduciary rules are prescribed.
- IRC §402(f)(2)(A) 403(b) tax-sheltered annuities distribution can be rolled over to any eligible retirement plan after 2001. Effective for distributions made after December 31, 2001.

IRC §402(g)	Plan benefit and contribution limits increased after 2001. Years beginning after 2001.
IRC §402A	401(k) and 403(b) plans may treat post-2005 elective deferrals as after-tax Roth IRA-type contributions. Effective for tax years beginning after December 31, 2005.
IRC §403(b)	Percentage of salary limitations on contributions to plans, including 403(b) and government plans, increased to 100% after 2001. Effective for years beginning after December 31, 2001. Act Section 632(a)(2).
IRC §403(b)	Distributions of elective deferrals allowed after 2001 following severance from employment – “same desk rule” eliminated. Effective for distributions made after December 31, 2001. Act Section 646(a)(2).
IRC §403(b)(8)(A)(ii)	403(b) tax-sheltered annuity distributions can be rolled over to any eligible retirement plan after 2001. Effective for distributions made after December 31, 2001.
IRC §403(b)(13)	Trustee-to-trustee transfers from code section 403(b) annuities and code section 457 plans to defined benefit governmental plans to buy service credit or repay cash outs will be tax-free after 2001. Effective for trustee-to-trustee transfers made after December 31, 2001.
IRC §404(a)(1)(D)	Qualified plan contribution deduction maximum will be no less than the unfunded current liability and will be extended to all defined benefit plans, regardless of size, after 2001. Effective for plan years beginning after December 31, 2001.
IRC §404(a)(3)(A)(i)(I)	Limitation on deductible contributions to profit sharing or stock bonus plans increased from 15% to 25% of compensation after 2001; money purchase plans subject to same limits on deductible contributions as profit sharing and stock bonus plans after 2001. Effective for years beginning after December 31, 2001.
IRC §404(a)(3)(A)(v)	Limitation on deductible contributions to profit sharing or stock bonus plans increased from 15% to 25% of compensation after 2001; money purchase plans subject to same limits on deductible contributions as profit sharing and stock bonus plans after 2001. Effective for years beginning after December 31, 2001.
IRC §404(a)(12)	“Compensation” for determining deductions limits for contributions to a qualified plan will include salary reduction amounts and certain pre-disability compensation. Effective for years after 2001.
IRC §404(k)(2)(A)(iii)	Employer will be allowed a deduction for dividends on employer ESOP stock where participants and beneficiaries can elect to have dividends reinvested in employer stock after 2001. Effective for tax years beginning after December 31, 2001.
IRC §404(l)	Plan benefits and contribution limits increased after 2001. Years beginning after 2001.
IRC §404(n)	Elective deferrals will no longer be taken into account in applying employer plan contribution deduction limits after 2001. For years beginning after December 31, 2001.
IRC §408(d)(3)	Hardship exception to 60-day rollover requirement -- after 2001. Distributions after December 31, 2001.
IRC §408(d)(3)(A)	Expanded rollover option allows IRA’s to be rolled over tax-free into eligible retirement plans other than IRAs after 2001. For distributions made after December 31, 2001.

IRC §408(d)(3)(H)	Taxation of IRA distributions all or part of which are rolled over to a non IRA plan after 2001. Distributions made after December 31, 2001.
IRC §408(k)	Plan benefit and contribution limits increased after 2001. Years beginning after 2001.
IRC §408(p)	Plan benefit and contribution limits increased after 2001. Years beginning after 2001.
IRC §408(p)(6)(A)(ii)	Self employment income for which religious exemption is elected will be taken into account for Keogh and SIMPLE plans after 2001. Effective for years beginning after 2001.
IRC §408(q)	Qualified employer plan's separate account or annuity that meets IRA requirements and accepts voluntary employee contributions may be a "deemed IRA" after 2002. Plan years beginning after December 31, 2002.
IRC §409(p)	Allocations of employer stock held in Sub S ESOP to "disqualified persons" who together own 50% of S corporation shares treated as distributions and subjected to 50% excise tax in 2004.
IRC §411(a)(2)	Faster vesting schedule applies for certain employer matching contributions for plan years beginning after 2001. Contributions for plan years beginning after December 31, 2001.
IRC §411(a)(11)(D)	Employers may disregard rollovers from other plans when applying the cash-out rules after 2001. Effective for distributions after December 31, 2001.
IRC §411(a)(12)	Faster vesting schedule applies for certain employer matching contributions for plan years beginning after 2001. Effective for contributions for plan years beginning after December 31, 2001.
IRC §411(d)(6)(B)	Anti-cutback rules relaxed after 2001 for direct transfers between defined contribution plans. Years beginning after December 31, 2001.
IRC §411(d)(6)(D)	Anti-cutback rules relaxed after 2001 for direct transfers between defined contribution plans. Years beginning after December 31, 2001.
IRC §412(c)(9)	Defined benefit and money purchase plans annual actuarial valuation requirement can be satisfied using prior year's valuation after 2001. Effective for plan years beginning after December 31, 2001.
IRC §414(p)(10)	Spouse (or former spouse) subject to tax on benefits received from a code section 457 plan distributed under a QDRO after 2001. For transfers, distribution, and payments made after December 31, 2001.
IRC §414(p)(11)	Spouse (or former spouse) subject to tax on benefits received from a code section 457 plan distributed under a QDRO after 2001. Effective for transfers, distributions, and payments made after December 31, 2001.
IRC §414(p)(12)	Spouse (or former spouse) subject to tax on benefits received from a code section 457 plan distributed under a QDRO after 2001. Effective for transfers, distributions, and payments made after December 31, 2001.
IRC §414(v)	Individuals over age 50 can make additional elective deferrals in excess of otherwise applicable limits after 2001. For contributions made in tax years beginning after December

31, 2001.

IRC §415(b)	Plan benefit and contribution limits increased after 2001. Years ending after December 31, 2001.
IRC §415(b)(11)	Defined benefit plan 100%-of-compensation benefit limit eliminated for multi employer plans after 2001.
IRC §415(c)	Plan benefit and contribution limits increased after 2001. Years beginning after 2001. Act Section 611(b).
IRC §415(c)	Percentage of salary limits on contributions to plans, including 403(b) plans and government plans, increased to 100% after 2001. Years beginning after December 31, 2001. Act Section 632(a).
IRC §415(d)(4)	Plan benefit and contribution limits increased after 2001. Years beginning after 2001.
IRC §415(f)(3)	Defined benefit plan 100%-of-compensation benefit limit eliminated for multi employer plans after 2001. Years beginning after 2001.
IRC §415(k)(4)	Percentage of salary limits on contributions to plans, including 403(b) and government plans, increased to 100% after 2001. Limitation years beginning after December 31, 1999.
IRC §416	Rules for Top heavy plans are modified and definition of “key employee” are simplified after 2001. For years beginning after December 31, 2001.
IRC §457	Plan benefit and contribution limits are increased after 2001. Years beginning after 2001.
IRC §457(a)	Amounts deferred under governmental section 457 plans after 2001 will be includible in income only when paid, and not when merely “made available”. Distributions after December 31, 2001.
IRC §457(b)(2)	Distributions from governmental section 457 plans may “eligible rollovers distribution” after 2001. Distributions made after December 31, 2001. Act Section 632(c).
IRC §457(b)(2)	Rollovers may be made to governmental section 457 plans after 2001. Act Section 641(a)(1)(B).
IRC §457(b)(2)(B)	Percentage of salary limits on contributions to plans, including 403(b), and government plans, increased to 100% after 2001. Years beginning after December 31, 2001.
IRC §457(c)	Repeal of coordination requirements for calculating deferral limit for deferred compensation plans of tax-exempt organizations, and state or local governments after 2001. For years beginning after December 31, 2001.
IRC §457(d)(1)	Distributions of elective deferrals allowed after 2001 following severance from employment “same desk rule” eliminated. Distributions made after December 31, 2001.
IRC §457(d)(1)(c)	Distributions from governmental section 457 plans may be “eligible rollover distributions” after 2001. Distributions made after December 31, 2001.
IRC §457(d)(2)	Special 457 plan minimum distribution requirement eliminated after 2001. Distributions after December 31, 2001.

IRC §457(e)(9)(A)	Employers may disregard rollovers from other plans when applying the cash-out rules after 2001. Distributions after December 31, 2001.
IRC §457(e)(16)	Distributions from governmental section 457 plans may be “eligible rollover distributions” after 2001. Distributions made after December 31, 2001.
IRC §457(e)(17)	Trustee-to-trustee transfers from code section 403(b) annuities and code section 457 plans to defined benefit governmental plans to buy service credit or repay cash outs will be tax-free after 2001. Trustee-to-trustee transfers made after December 31, 2001.
IRC §469(i)(3)(F)	With respect to the above-the-line-deduction for qualified higher education expenses paid from 2002 through 2005 allowed by IRC §222. Payments made in tax years beginning after December 31, 2001.
IRC §505(b)(7)	Plan benefit and contribution limits increased after 2001. Years beginning after 2001.
IRC §529	Private education institutions may establish qualified tuition programs that offer prepaid educational services accounts after 2001. Tax years beginning after December 31, 2001.
IRC §529(b)(1)	Private education institutions may establish qualified tuition programs that offer prepaid educational services accounts after 2001. Tax years beginning after December 31, 2001.
IRC §529(b)(1)(A)(ii)	Private education institutions may establish qualified tuition programs that offer prepaid educational services accounts after 2001. Tax years beginning after December 31, 2001.

The following sections are operative for Hawaii income tax purposes.

IRC §529(c)(3)(B)	Distributions from qualified tuition programs after 2001 will be tax-free to the extent that they are used to pay qualified higher education expenses. Tax years beginning after December 31, 2001.
IRC §529(c)(3)(C)(i)	Distributions from qualified tuition programs can be rolled over for benefit of same beneficiary after 2001. Tax years beginning after December 31, 2001.
IRC §529(c)(3)(C)(iii)	Distributions from qualified tuition programs can be rolled over for benefit of same beneficiary after 2001. Tax years beginning after December 31, 2001.

The following section is not operative for Hawaii income tax purposes.

IRC §529(c)(6)	10% additional tax will be imposed on qualified tuition program distributions that are includable in income after 2001. Tax years beginning after December 31, 2001.
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The following sections are operative for Hawaii income tax purposes.

IRC §529(e)(3)(A)	Tax-free distributions from prepaid tuition plans and education IRA’s can be used for special needs services after 2001; qualified room and board expenses adjusted to reflect current costs. Tax years beginning after December 31, 2001.
IRC §529(e)(2)(D)	Distributions from qualified tuition programs can be rolled over for benefit of same beneficiary after 2001. Tax years beginning after December 31, 2001.

IRC §529(e)(3)(B)(ii)	Tax-free distributions from prepaid tuition plans and education IRA's can be used for special needs services after 2001; qualified room and board expenses adjusted to reflect current costs. Tax years beginning after December 31, 2001.
IRC §530(b)(1)	Education expenses that may be paid by education IRAs are expanded to include elementary and secondary school expenses after 2001. For tax years beginning after December 31, 2001. Act Section 401(a)(1).
IRC §530(b)(1)	Age limitations for education IRAs won't apply to "special needs beneficiaries" after 2001. For tax years beginning after December 31, 2001. Act Section 401(c)(3).
IRC §530(b)(1)(A)(iii)	After 2001, annual educational IRA contribution limit increased from \$500 to \$2000 per beneficiary, and phase-out range is increased for joint filers. For tax years beginning after December 31, 2001.
IRC §530(b)(2)	Educational expenses that may be paid by education IRAs are expanded to include elementary and secondary school expenses after 2001. For tax years beginning after December 31, 2001.
IRC §530(b)(4)	Education expenses that may be paid by education IRAs are expanded to include elementary and secondary school expenses after 2001. For tax years beginning after December 31, 2001.
IRC §530(b)(5)	Contributions to education IRAs for a tax year after 2001 may be made until April 15 of the following year. Distributions won't be subject to the additional 10% tax if made on or before June 1 of the year following the contribution year. For tax years beginning after December 31, 2001.
IRC §530(c)(1)	Corporations and other entities may make contributions to education IRAs after 2001, regardless of the corporation's or entity's income. For tax years beginning after December 31, 2001. Act Section 401(b).
IRC §530(c)(1)	After 2001, annual educational IRA contribution limit is increased from \$500 to \$2000 per beneficiary, and phase-out range increased for joint filers. For tax years beginning after December 31, 2001. Act Section 401(e).
IRC §530(d)(2)	Education expenses that may be paid by education IRAs are expanded to include elementary and secondary school expenses after 2001. For tax years beginning after December 31, 2001.
IRC §530(d)(2)(C)	After 2001, taxpayers may claim exclusions for education IRAs and qualified state tuition program distributions and claim the Hope and Lifetime learning credits all in the same year, but may not use the same expenses for more than one provision. For tax years beginning after December 31, 2001.
IRC §530(d)(2)(D)	After 2001, taxpayers may claim exclusions for education IRAs and qualified state tuition program distributions and claim the Hope and Lifetime learning credits all in the same year, but may not use the same expenses for more than one provision. For tax years beginning after December 31, 2001.
IRC §530(d)(4)(C)(i)	Contributions to education IRAs for a tax year after 2001 may be made until April 15 of the following year. Distributions won't be subject to the additional 10% tax if made on or before June 1 of the year following the contribution year. For tax years beginning after

December 31, 2001.

The following sections are not operative for Hawaii income tax purposes.

IRC §531	Rates for kiddie tax, accumulated earnings tax, personal holding company tax and miscellaneous withholding requirements reduced to match reductions in individual income tax rates starting in 2001. Tax years beginning after December 31, 2000; amounts paid more than 60 days after date of enactment for withholding changes.
IRC §541	Rates for kiddie tax, accumulated earnings tax, personal holding company tax and miscellaneous withholding requirements reduced to match reductions in individual income tax rates starting in 2001. Tax years beginning after December 31, 2000; amounts paid more than 60 days after date of enactment for withholding changes.
IRC §646	Alaska Native Settlement trusts may elect to exclude certain contributions from beneficiaries' income. For tax years ending after date of enactment.

The following sections are operative for Hawaii income tax purposes.

IRC §664(g)	Plan benefit and contribution limits increased after 2001. Tax years beginning after 2001.
IRC §684(a)	Gain recognition rule for transfers of appreciated property to non-grantor foreign trusts and foreign estates will be extended to transfers at death to non resident aliens after 2009. For transfers after December 31, 2009.
IRC §684(b)	Gain recognition rule for transfers of appreciated property to non-grantor foreign trusts and foreign estates will be extended to transfers at death to non resident aliens after 2009. For transfers after December 31, 2009.

The following sections are not operative for Hawaii income tax purposes.

IRC §861(a)(3)	Non resident aliens' compensation for international transportation services no longer taken into account by benefit plans in plan years after 2001. Compensation for services performed in plan years beginning after 2001.
IRC 904(h)	No reduction in child tax credit after 2001 because of AMT. Tax years beginning after December 31, 2001. Act Section 201(b)(2)(G).
IRC 904(h)	Dollar limit and phase-out range for adoption credit will be increased after 2001; credit for non special needs adoptions made permanent. Tax years beginning after December 31, 2001. Act Section 202(f)(2)(C).
IRC §904(h)	Credit of up to \$1,000 added for elective deferrals and IRA contributions by individuals with modified AGI below certain limits after 2001 and before 2007. Tax years beginning after December 31, 2001. Act Section 618(b)(2)(D).

The following section is operative for Hawaii income tax purposes.

IRC §1014(f)	Step-up basis and step-down basis will end and modified carry over basis rules will apply for property acquired from a deceased individual after December 31, 2009. Estates of decedents dying after December 31, 2009 for property acquired from a decedent dying after December 31, 2009.
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The following section is not operative for Hawaii income tax purposes.

IRC §1016(a)(28) Up to \$150,000 of credit per year will be allowable to employers for providing child care assistance to employees for tax years beginning after December 31, 2001. Tax years beginning after December 31, 2001.

The following sections are operative for Hawaii income tax purposes.

IRC §1022 Step-up basis and step-down basis will end and modified carry over basis rules will apply for property acquired from a deceased individual after December 31, 2009. Estates of decedents dying after December 31, 2009 for property acquired from a decedent dying after December 31, 2009.

IRC §1022(g) Liabilities in excess of the basis of property acquired from a decedent or an estate will be excluded from gain and basis after December 31, 2009. Estates of decedents dying after December 31, 2009.

IRC §1040 Beginning in 2010 an estate or trust will recognize gain if it distributes appreciated property to satisfy a pecuniary bequest, but only to the extent the property has appreciated between the dates of death and of distribution. Estates of decedents dying after December 31, 2009.

IRC §1221(a)(3)(C) Capital gain treatment for inherited artwork or similar property will not be disallowed after 2009 solely because heir to property takes decedent's carry over basis. Estates of decedents dying after December 31, 2009.

IRC §1246(e) Basis reduction for foreign investment company stock acquired from decedent repealed after 2009. Estates of decedents dying after 2009.

The following sections are not operative for Hawaii income tax purposes.

IRC §1400C(d) No reduction in child tax credit after 2001 because of AMT. Tax years beginning after December 31, 2001. Act Section 201(b)(2)(H).

IRC §1400C(d) Dollar limit and phase-out range for adoption credit will be increased after 2001; credit for non special needs adoptions made permanent. Tax years beginning after December 31, 2001. Act Section 202(f)(2)(C).

IRC §1400C(d) Credit of up to \$1,000 added for elective deferrals and IRA contributions by individuals with modified AGI below certain limits after 2001 and before 2007. Tax years beginning after December 31, 2001. Act Section 618(b)(2)(E).